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THE ATLANTA ECONOMIC REVIEW

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This Month's Authors

W. T. TUCKER

Dr. Tucker's discussion of budgeting for advertising—its theoretical concept, as well as its actual function and effectiveness—is the result of an intensive survey concerning current bank advertising procedures. A second article, presenting the factors that appear to really determine present advertising appropriations, will be published subsequently. The substance of these articles is taken from material which will appear in monograph form at a later date.

Dr. Tucker is Associate Professor of Marketing, Georgia State College of Business Administration.

WALTER S. BUCKINGHAM, JR.

In September 1958 Dr. Buckingham presented a paper, "Automation's Impact on Industry," to the International Association for Cybernetics in Namur, Belgium. His article is an abridgment of that presentation.

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Dr. Ehler's discussion of the use of sales contests in motivating salesmen is a summary of his more detailed and extensive study in selected motivation procedures. This study, including tabulated data from a questionnaire survey of southern sales executives (compared with national data), has been presented fully in Research Paper Number 6, Bureau of Business and Economic Research, Georgia State College.

MOORHEAD WRIGHT

Mr. Wright, Consultant for the Advanced Management Course of the General Electric Company, is a specialist in the field of Philosophy and Principles of Management. The thoughts expressed in this brief article may be considered supplementary to Mr. Wright's "Religion and Business," published in the June 1958 issue of **The Atlanta Economic Review**.

WARREN A. WALKER

In "The Southeastern Corner" Mr. Walker discusses problems faced, especially by smaller communities, as a result of population migration. Part II of this discussion, which will appear in March, will attempt to review certain techniques that may be useful in solving some of these problems.

A Hardheaded Approach to the Advertising Appropriation

by

W. T. Tucker

One of the major problems in advertising is that of determining how much money should be spent. In recent years the problem has been tackled from several different angles with the result that there is now something of a theory of advertising. The principal contributions have succeeded in formalizing the area of discussion so that a large number of factors are at least recognized and a considerable number of relations among them posited.

THE PROFIT MAXIMIZATION CONCEPT

Basic to virtually all of this work has been the concept that advertising is a marketing investment or expense in much the same sense as is a fleet of trucks or the gasoline to operate them. The proposition might be stated as follows: Advertising should be carried out to the extent that it increases profits. While this concept of "economic" advertising may be as partial as the notion of "economic" man, it serves as a powerful analytical tool which has several implications.

Factors Influencing Advertising Effectiveness

The first implication is that advertising should be purchased on the basis of its direct economic effects. The pioneer study in this area is the monumental job done by Neil Borden. It is impossible to quote here even a major portion of his conclusions concerning the business use of advertising, but he isolated five factors that have achieved general acceptance as those which determine in large part the opportunity for effective advertising. These factors are:

1. Rising demand for the product or service
2. Substantial chance for differentiation of product service from that of competitors
3. The existence of hidden qualities that the purchaser cannot easily judge
4. The possibility of using strong emotional appeals
5. A financial return that makes advertising money available¹

These conclusions have been extremely valuable in judging whether or not a product should be advertised, since their use as a sort of check list allows

¹ Neil H. Borden, *The Economic Effects of Advertising* (Chicago: Irwin, 1947), p. xxvii.

one to judge the extent to which a product or service has the characteristics that permit successful advertising. But, even used in this way, Borden's factors are capable of leading only to general conclusions. As analytic tools, such check lists usually show weaknesses. So it is with Borden's factors. Reasoning with them, one may determine that a product is highly advertisable or that a service that has none of the characteristics that are desirable should not be advertised. It is not, however, possible to determine with any exactness the degree to which a product is advertisable. This limitation is caused by a lack of precise information in several areas.

First, there is no way to determine the relative importance of the several factors beyond the accepted knowledge that they are not of equal weight. Second, there is no way to determine the extent to which a given product or service fits any one of Borden's factors. And, last, with the current understanding of psychology it is not always possible to determine just what some of Borden's factors mean in practical terms. This last statement probably needs clarification by example.

Borden's second factor refers to the substantial chance for differentiation of the product or service from that of competitors. It is quite clear that this substantial differentiation cannot be conceived as something inherent in the product or service but must refer to substantial differentiation in the mind of the consumer. Obviously, it can be quite difficult to determine what the consumer will consider a substantial differentiation. The producers of Hathaway shirts discovered that an advertisement of a man with an eye patch wearing a Hathaway provided sufficient differentiation to boost sales tremendously. The advertisers of Marlboro cigarettes found that the difference in filters was perhaps less important than the difference in the personality of the person shown smoking the cigarette. Deodorant manufacturers have found that the difference in the method of application—ball-point, spray, or solid stick form—can be at least as substantial as the formula of the preparation. Examples like this tend to demonstrate that it is just not possible to prejudge the importance of product or service differences and that apparently minor ones can make for tremendously effective promotion.

Problems of this general nature seriously infect as least three of Borden's factors (factors 2, 3, and 4 above). While this does not detract from the value of Borden's work, it does emphasize the inadequacy of even careful analysis to determine advertising effects in advance.

The Time Factor in Advertising Effect

The second question that is raised by the notion that advertising should be used to maximize profits hinges on the fact that no time period is stated. Just when are these profits supposed to appear? The

answer given variously by the many students of advertising is "It depends."

Here again, one question is fragmented into many. Albert Frey says that there are two kinds of advertising, "direct action" and "indirect action."² Clarence Eldridge defines three types of advertising: that directed at immediate action; that designed to create "awareness"; and that planned to create or change the consumer's image of the advertiser, his products, and his services.³

Clearly, some kinds of advertising can be judged on the basis of immediate results. But, since most advertisers use a variety of these types, advertising effectiveness must be considered as some sort of long-term function. Incidentally, in advertising, many experts regard a year as long-term.

The Pertinence of Economic Models

A third implication of the profit maximization theory is that basic economic models can be used to explain, to analyze, and perhaps to predict. One of the most interesting attempts in this direction is the model introduced by Joel Dean. Dean's model presents the usual economic cost curve concept. In simple terms, the notion is that the first few dollars spent on advertising will return relatively little business and that, as expenditures increase, more business is brought in until some point of decreasing returns is reached. Beyond this point each successive dollar spent for advertising will bring in less business. At some point the profit on the business brought in will not equal the advertising cost for bringing in that marginal business.⁴

This is typical marginal analysis, and is extremely useful in giving a conceptual picture of the relationship of advertising expenditures to profit from sales or their equivalent.

The general background against which advertising appropriations methods have been studied to date assumes a profit-maximizing rationale. This assumption is in agreement with most business thinking: advertising institutes and conferences stress the ability of advertising to move goods through the marketing channels and to increase the use of various services with the implicit notion that this is the road to greater profits.

OTHER ADVERTISING FUNCTIONS

In practice, profit maximization is only a part of the advertising function. Advertising either serves or is made to serve a number of other purposes, and any discussion of appropriations methods that neglects to mention these other purposes is, of necessity, partial.

² Albert Wesley Frey, *How Many Dollars for Advertising* (New York: Ronald Press, 1955), p. 37.

³ Clarence E. Eldridge, "Advertising Effectiveness—How Can It Be Measured?" *Journal of Marketing*, January, 1958, p. 24.

⁴ Joel Dean, *Managerial Economics* (New York: Prentice-Hall, 1951), pp. 351-363.

Modern analysis of business frequently emphasizes the sociological and psychological. Game theory, role playing, communications theory, the concept of "other directedness," and numerous other methods of analysis indicate clearly what every advertising director knows—*increased profit is only a part of the story.*

Other parts of the story refer to the nonselling effect advertising has on several groups of people. It is well worthwhile to differentiate among these groups and suggest the nonselling effect advertising may have on each. First there is the internal group made up of managers, employees, and stockholders. Then there is management's peer group made up of similar advertisers and advertising agencies, competitors, and the like. Following these are the special interest groups: church organizations, educational groups, labor organizations, various lodges and clubs and associations. Lastly there is the so-called general public.

This is not a complete list. Some would insist that government be given a special classification, that the various institutions in the marketing channel are much affected, and that suppliers could well be included. The reasons for excluding such groups in this paper are two: (1) Most advertising that is designed to affect government directly or indirectly is probably recognized as such by the advertiser—and is frequently budgeted separately from the regular advertising campaign; (2) This study is basically concerned with banks, and neither industrial suppliers nor marketing institutions occupy peculiarly sensitive positions in relation to normal banking practice, although correspondent banks might be thought of in these terms.

The Internal Group

Employees are generally recognized to be influenced by their perception of the company for which they work. Current public relations thinking relates what is perceived, not just to the work situation and interpersonal relations within the company, but to the apparent standing of the company in the larger community. On the simplest level, the employee is thought to be more satisfied working in an organization that is known rather than unknown. Frequent encounters with strangers generally include exchanges of information about jobs. The nature of the ego-involvement can be recognized by the fact that many persons, when asked what they do, reply by saying, "I work at so-and-so's," or "Oh, I'm with XYZ." Often the kind of work done or the person's title is not given. Perhaps this is most often the case when no title exists or the nature of the work lacks prestige. But quite clearly the employee normally feels that his own standing and importance are intimately related to the company for which he works.

Equally obvious is the fact that advertising is

frequently the primary basis on which a company is known or unknown. The employee of the largest department store in town or the manufacturer of a heavily advertised consumer good needs only to mention the name to receive the accolade of recognition. Employees of little-known organizations frequently have developed a much longer and relatively formalized statement that identifies their company by its relation to a better-known institution.

Beyond this, there is the obvious satisfaction that derives from working for a well-thought-of organization rather than one that is known but looked down on for some real or imagined characteristic.

One of the reasons that advertising is currently so important in establishing and maintaining this climate in which employees operate relates to the current insecurity and "other directedness" of society. David Reisman in his *The Lonely Crowd* emphasizes the need for continued reaffirmation, *recognition*.⁵

Picture a bus in Atlanta carrying people to work down Peachtree Street. The car cards include XYZ Bank advertisements that are repeated every other card around the entire bus. The bus passes two outdoor billboards with XYZ Bank advertisements. It passes a time and temperature sign on a XYZ Bank branch. Let's suppose that among the passengers there are two girls. One is a teller at the XYZ, the other is in the accounting department of ABC. Is there much question about the differential effects this advertising will have on those two?

Virtually all advertisers recognize this effect of advertising. But they seldom mention it, do not include it as a partial justification for their budget, and do not consciously prepare advertising with this effect in mind. They have no way of estimating, even roughly, its value in terms of greater work efficiency or decreased turnover.

Far more important than the effect advertising has on employees in general is the effect it has on the managerial group, for these are the people who plan the advertising and set the appropriation. Not only are they affected by the advertising, they can and do change it. While they tend to explain all advertising in terms of bringing in more business, the explanation is just as suspect as the economic justification of executive expense accounts and plush offices. William H. Whyte mentions the tendency of business enterprises to talk to themselves in advertising.⁶

If the desire to talk to oneself is indulged, the cost of doing so comes from the advertising budget. There is a serious doubt that advertising can serve this function without influence on its effectiveness as a selling medium. The result therefore is to reduce

⁵ David Reisman, *The Lonely Crowd* (New Haven: Yale University Press, 1950) pp. 19ff.

⁶ William H. Whyte, Jr., *Is Anybody Listening* (New York: Simon and Schuster, 1953), pp. 18-21.

the funds available for profit maximization through greater sales. Whether there is a corresponding gain in managerial esprit which might be reflected in greater profits is a complex subject on which there is no easy analysis.

More than thirty years ago John Maynard Keynes noted that motives of the managerial group were changing away from pure profit maximization.⁷ While such changes may influence all business decisions, advertising and the size of the advertising appropriation are particularly susceptible to influence by these "new" motives. All of the "new" motives are not thoroughly understood, nor is their relative importance with regard to one another or in relationship to the classic profit-maximization motive.

One of the "new" motives seems to regard size as the important criterion. Size can be stated in numerous ways, the most common of which are: total sales in dollars or units; share of the market; or, in the case of banks, total deposits. It is true that profits are roughly related to these measures of size and that managers are quite aware of both. Yet it is not by chance that Don Walling's impassioned plea at the close of *Executive Suite* ends:

We have three per cent of the total—that's all, just three per cent. Look at the other industries—the percentage the top manufacturer has. What if General Motors had sat back and stopped growing when it had three per cent of the automobile industry? We haven't even started to grow! Suppose we get fifteen per cent of the total—and why not, it's been done in dozens of industries? Fifteen per cent and the Treadway Corporation will be five times as big as it is today. All right, I know it hasn't been done before in the furniture business, but does that mean we can't do it? No—because that's exactly what we are going to do.⁸

He does not pay much attention to the unexciting idea of profit maximization but seems to accept it as an inevitable consequence of growth.

Growth, itself, seems to be a major management concern. One of the smallest banks visited during the field work for this study produced an amazing array of figures that demonstrated it to be the fastest growing bank in the city. It has seldom been this author's privilege to witness a more spectacular perversion of statistical methods than the one that was of such obvious satisfaction to these bank managers. Any reasonable analysis of trend showed the bank to be one of the slowest growing in the city.

While size may bear a rough relationship to profits, growth rate certainly does not. In fact, growth is often achieved at the temporary sacrifice of profit. The current assumption, like Don Walling's, seem to be that greater profits will follow. As an economic assumption, this is a serious oversimplification of a rather complex subject.

Other motives are even less clearly related to

profits. Perhaps the most spectacular example of advertising used for managerial satisfaction lies in the case of the drugstore that purchased the back cover of *Life*. Normally, the influence of various managerial motives is not so clear, even in purely institutional advertising. But there are quiet references to the outdoor poster or painted sign that was erected because it lay on the president's road to work. Like everyone else, managers want to be told how well they are doing. It is hardly a surprise that they should talk to themselves at times and use advertising to do it. When advertisements refer to growth rates or size, it can be assumed that they are serving as this kind of reassurance to management, at least in part.

It is most important to recognize that none of these managerial motives should be classed as "good" or "bad." They are merely very normal human motives under the circumstances, and their satisfaction may be an important business function of advertising. The disturbing fact is that advertising is so used on a subconscious or sub rosa level. If it were knowingly and admittedly used for such purposes, in addition to the professed purposes of increased profits, one would be better persuaded of the soundness of managerial controls.

The last internal group, stockholders, is manifestly influenced by the accomplishments of advertising. It is probable that stockholders as a group are not seriously considered in most advertising matters except in the budgeting for annual reports, often included as part of the advertising budget. The proper function of the annual report has been discussed by business for many years. There is currently an overwhelming acceptance of the notion that the annual report should be a promotional or semi-promotional piece. In some cases—the reports of General Foods and Beechnut Packing are good examples—it is clear that increased sales to stockholders is a partial objective. But, generally, annual reports are not directed toward either greater profits or greater sales even though they are commonly included among advertising costs.

The Peer Groups

Management, like any collection of sane individuals, is not satisfied to talk only to itself. While it can derive certain satisfaction directly out of advertising, increased profits, or growing sales, the individual managers function within certain social groups. These groups are the peer groups. Important among them might be such formal institutions as the local advertising club for the advertising manager and the sales executive club for the sales manager. Less formal business association with advertising agency personnel, competitors, and managers of competing and noncompeting institutions makes up the round of business life; and in purely social clubs and among neighbors and friends the manager finds other peers.

7 John Maynard Keynes, *Essays in Persuasion* (New York: Harcourt-Brace, 1933), pp. 314-315.

8 Cameron Hawley, *Executive Suite* (Boston: Houghton-Mifflin, 1952), p. 334.

The influence of these groups is of major importance. To the extent that he seeks them out, joins them, participates in them, the manager acknowledges this influence. The values of many of these groups may relate to advertising only by the greatest indirection. The values of others, especially those that are quasi-professional or largely made up of other managerial groups, may be intimately bound up with the nuances of business. People in such groups are quick to note changes in policy, realignments of commercial power, new methods or techniques. Because of its high visibility, advertising is a source of comment. Associates here have sharper eyes than the general public. They spot with rapidity the advertising campaign that was "borrowed" from a bank in another city. They are instantly aware of the new television program being sponsored or the latest advertising approach being used.

In these groups, a comptroller may be "kidded" because his company ran a single advertisement that was out of character. An advertising manager may be introduced as "the man who is running those advertisements everyone is talking about."

Applause and ridicule in such groups do not wait for the year-end statement or the quarterly sales report. These are, of course, important items in the commerce of such groups when they become public knowledge. But reaction on other bases is prompt. It is only natural that such groups would have considerable influence on advertising—that advertising should function, in part, as the manager's entree to them. Also, it is not unlikely that if no direct measure of advertising effectiveness is available, the reaction of these groups will be taken as an indirect measure. The particular importance of this peer-group pressure derives from the fact that direct measures of advertising effectiveness are normally not available.

Special Interest Groups

Advertising, or at least the advertising appropriation, plays a peculiar role in relation to a large number of special interest groups. The function can be described variously as public relations, contributions, or simply as blackmail. And it may actually be any of these. The church newspaper, the school annual, the garden club program, the arts festival exhibition guide, all regard themselves as legitimate advertising media and expect local businesses to buy at least a quarter-page. Trade association meetings, school bazaars, community club bingo games are on the lookout for door prizes and other contributions.

Both the actual advertising space costs and other contributions often come from the advertising budget since it is frequently the least understood and the easiest to raid. So advertising dollars are called upon to perform a function that at best can seldom be considered effective advertising and at

its worst can only be referred to as "hush money."

An interesting study made for the Financial Public Relations Association shows that although 87 per cent of the banks interviewed felt that donation advertising was of little or no value, at least 62 per cent spent a part of their advertising budget on it.⁹

Perhaps the support of some local or trade media could be placed in this same category. It is recognized that many advertisers feel it necessary to maintain some sort of minimum advertising schedule in local newspapers or business publications in their industry or trade more out of good will and the sense of responsibility to help maintain the medium than with any expectation of satisfactory returns on the advertising dollar.

The General Public

It is sometimes difficult to determine just what the purpose of each advertisement is, even with regard to the general public. There is no clear line drawn between public relations and institutional advertising. Theoretically, the latter should establish public attitudes that tend to maximize profits, while the former need have no direct relationship to the purchase of products or services.

Advertisers are in much disagreement over the kinds of things that can be considered advertising for profit or advertising for other corporate purposes. Some companies are relatively specific about purpose by having separate budgets for these different uses of the media. Others lump them together in a single advertising budget. In any case, some advertising has public relations as a primary purpose, while much of it has public relations as a corollary function.

Summary

In summary, advertising has many functions in addition to its most proclaimed use as a means of maximizing profits. *More important, most of these functions are not openly recognized but appear to operate on a subconscious or at least sub rosa level.* They can, on these levels, affect the size of the advertising appropriation—unless some safeguard or control exists to rule out their influence.

Therefore, in a consideration of appropriations methods, two criteria need be used to determine the value of each method as a means to maximize profits: (1) Does the method clearly relate the amount of money spent on advertising to results that can be expected from that advertising? (2) Does the method contain safeguards to prevent the initial appropriation of advertising funds for purposes other than profit maximization? (It is conceived that this profit maximization will be achieved solely through the normally expected path of greater sales or direct revenue-producing activities.)

⁹ Charles H. Hughes, *Donation Advertising, A report To The Financial Public Relations Association*, March 1958.

2.1 PER CENT OR OVER
YEARLY INCREASE

0.0 TO 2.0 PER CENT
YEARLY INCREASE

0.0 TO 2.0 PER CENT
YEARLY DECREASE

2.1 OR OVER PER CENT
YEARLY DECREASE

For a discussion of some of the problems accompanying the migration of population from the smaller communities, see page 20: "Area Resource Development," *The Southeastern Corner*.

Automation's Impact on Industry

by

Walter S. Buckingham, Jr.

ELEMENTS OF AUTOMATION

Automation is one of the most significant technological developments in history. Ultimately its scope may well be comparable to that of the eighteenth century industrial revolution. However, its effects are not entirely the same. The mechanization of the industrial revolution was a technology based primarily on forms and applications of power, while automation is based on communication and control. Automation has four major elements—mechanization, continuous process, automatic control, and rationalization.

Automation is more than a technology. It is a whole concept of manufacturing. In a production system it means that the entire process from the raw material to the final product is carefully analyzed so that every operation can be designed to contribute in the most efficient way to achievement of clearly enunciated goals of the enterprise.

LIMITS AND GROWTH POTENTIALS

Automation is growing at a fast pace, both in terms of scope and intensity. But the distribution has been uneven. Most automation has occurred in large firms producing standardized goods for expanding markets. Still there are many striking examples of it in firms employing under 500 workers. Furthermore, applications of partial automation are widespread. The scope is already large in most industrialized countries according to the most precise methods of measurement so far available.

Motives

There are many motives for automation. One is to perform tasks which only automatic machines can do. For example, only electronic computers can make the millions of calculations needed for guiding a rocket. The staggering amount of arithmetic could never be done by human beings alone in time for the results to be useful, no matter how much power

was used or how well the work was organized and managed. Manipulating an atomic pile or controlling many rapid chemical reactions could not be done without automation. The production of many new products, such as polyethylene, requires automation. Color television depends on it, since no human being could ever put the hundreds of thousands of colored dots in their right places in the tubes without automatic control machinery. Automatic sensing devices can operate under conditions deadly to man—in intense heat, in bitter cold, in poisonous gases, in areas of atomic radiation.

But there are many other motives for automating. Prominent among these are: (1) to reduce labor cost, (2) to increase total output, (3) to improve working conditions, (4) to improve product quality, and (5) to survive in a competitive market. There are also noneconomic motives for automating. Someone has said that a large company goes into automation about like a young man taking a wife. He knows he can't justify the step on economic grounds but he just can't resist the temptation. The glamour attached to having the most "modern" plant or the most complex and intricate machinery has led to some enormous expenditures that may go down in history as monuments to what Veblen, if he were alive, would call "conspicuous investment."

Of course some waste is a necessary cost of using daring and imagination. Expenditures on research and development that seemed at one time to be extravagant have often proved later to be too stingy. Predictions of production and income that were called radical and visionary at the end of World War II have been seen to be too conservative. Furthermore, necessity sometimes overrules economic considerations. For example, in producing guided missiles, scientific knowledge or time can be gained by going ahead and using all known technology

even though there would be cost savings by waiting for someone else to do the experimentation. On the other hand, what is technically possible may be inherently uneconomical because demand is not there. For example, the famous "automats" of New York, which served meals automatically, are gradually being abandoned for old style cafeterias again. The need for personal service could not be met by the machines.

Limitations

1. Technological

One primary limit to automation is technological and imposes its effect on supply. Some productive systems (such as shipbuilding) cannot, so far, be reduced to a continuous process. Automatic control depends on a system in which the subject—be it an automobile engine, a quantity of oil, or an electrical impulse bearing a message—moves steadily and continuously either around through a closed circuit or by in a perpetual parade.

The second primary limit, also working through supply, is economic. This is the ratio of labor costs to machinery costs. Low wage rates, for example, may make capital investment uneconomical. High equipment costs have the same effect. The initial cost of automation tends to be high, and machines that are versatile cost even more than the most specialized ones; and small firms require versatility. However, some small firms in mining, baking, and manufacturing have automated successfully, so this does not seem to be an important obstacle except in a few particular industries.

A third primary limit to automation is also economic but affects the demand side. Insufficient demand for the products which automation can provide can be due to several reasons. First, the requirement for personal services, as in medicine or education, may limit the usefulness of automation's productive but inflexible and disinterested workmanship. Second, there may be a demand for great flexibility or variability of products, as in luxury or "prestige" goods, which automation cannot meet. Third, there may be a lack of demand in general due to economic recession.

Accordingly, the extent of automation can be predicted by classifying industries into groups based on the extent to which products created by continuous process can be supplied or will be demanded:

(a) Those industries providing essential products and based directly on flow processes. Oil refining, other liquid fuels, rubber, telecommunications, paper, synthetic fertilizer, soap, cement, bricks, fermentation products, glass, printing, tanning, candy, beverages, and some machinery are all susceptible.

(b) Those industries for which full automation is not possible but partial automation is. Here are those which, by nature, are not adaptable to continuous process techniques yet have large information-handling and clerical functions. Frequently,

though, half or more of the total activity in such industries is essentially clerical. Included here are transportation, large-scale retailing, and the manufacture of certain nonstandardized products like furniture. The increasing size and technical complexity of firms and the resulting managerial bureaucracy create a fertile field for office automation in many industries, even though full automation is prevented because production must be to special order (as in shipbuilding and transportation), or else requires an irreducible amount of personal service (as in the professions).

(c) Industries in which no significant automation seems likely because of the substantial technical limitations of continuous production (as in building construction), the need for personal service (as in education), the economic disadvantage of large productive units (as in some retailing), or vast space requirements (as in agriculture). Thus, automation seems limited, even potentially to process manufacturing and clerical work. Still, this critical sector of the economy represents half of the value of all production and over a fourth of all employment.

2. Secondary

There are also secondary limits. First is the time required to analyze problems, reduce them to equations, program computers, and translate answers. Rethinking through the production process can be time-consuming because of mental inertia. Time is also needed to design, construct, and install equipment and train technical personnel. Like equipment cost, this is probably also a temporary limit.

Second, the conservatism of businessmen could be an obstacle. For example, the great stock markets and commodities exchanges could be replaced by computers except for the lethargy of tradition. Only the dress of the hundreds of traders on the floor and around the booths distinguishes these contemporary market places from a medieval bazaar. However, there has been a gradual and continuous widening of businessmen's horizons since World War II.

Third, there are temporary supply problems such as material shortages, production bottlenecks, and lack of scientists, engineers, and technicians. These limits can all be overcome in time. Technological growth stimulates itself. There has been a progressive reduction in time lags between scientific discoveries and practical inventions. A century lapsed between Newton's principles and Watt's steam engine. Today Sputniks are launched from theories developed in the last twenty years.

SIGNIFICANCE FOR MANAGEMENT

A few years ago, management and administrative staff comprised only a small part of total labor costs. Today, in a typical large enterprise, they receive half of the wage bill. Thus the effectiveness of

management emerges as a goal of prime importance to the firm.

Eases Business Pressures

Automation affects management in several important ways. First, there are some features of automation which should appeal to most managements by making their business lives easier. Automatic machines never go out on strike, are never absent from work without reason, do not ask for pay increases, and present no complicated human relations problems. Electronic control equipment can work better, faster, and more safely than people in some jobs and in others can do many things people cannot do. It can operate under conditions of extreme temperature, atmospheric pressure, chemical changes, and machine speeds which would preclude human endeavor. It does not experience fatigue or monotony and is frequently more dependable than humans, making fewer mistakes, never forgetting, and requiring no retaining. In other words, technological advancement can often be set free from the limitations of human labor and control. Thus, what management and labor can accomplish is greatly increased.

Need for Greater Insight

The age of automation accelerates the need for broader comprehension and keener insight by both sides of industry, management, and labor. For example, rapid change-over times and decreased inventories require more alertness and greater knowledge by managers than ever before. Furthermore, as productive processes and factory layouts are changed, the problem of determining managerial responsibility changes. In some cases automation has required changes in organizational structure because formerly discontinuous, specialized functions had been tied together in a continuous flow process. In other cases the improved communications system has made responsibility easier to define and harder for department heads to hide from or pass on to someone else.

Frequently the greatest economies of automation can be attained only if the system of organization and procedure is changed to fit the capabilities of the equipment. Thus, machinery should not necessarily be designed to perform tasks already being done, but the whole system of tasks may have to be altered to make use of the machines. Related to this is an interesting fact. Many firms that have taken the revolutionary step of redesigning their management organization have discovered that if the same amount of creative thought had been applied to their old operation, irrespective of automation, most of the same economies could have been achieved without the new equipment. In these cases, the introduction of automation opened the door to making a number of important changes in organiza-

tion structure that were badly needed anyhow.

Conservatism was once the basis of sound managerial philosophy. Firms could expect continuous growth, or at least a comfortable existence, using tradition and guesswork as the only guides. Today the firm that does not have an alert, eager, research-conscious, farsighted management is courting disaster. Some people in management positions are not mentally prepared for automation. They prefer monopolies, high tariffs, and other special protections rather than facing the future with courage and imagination. There is still a need for thawing some frozen attitudes, although generally there has been a great awakening among managements in recent years.

Relieves Much Routine Administration

A third effect of automation comes from the continuous nature of production. Normal performance standards can be set for all clerical, sales, and operational personnel, and the electronic computer automatically processes all data and information in their reports. Already it is common in large firms for computers, located at central points, to receive the data for each day's sales by telegraph from all of the far-flung branches or receive output figures from every department by the close of the day. By the time the manager gets to work the next morning, a complete summary of the previous day's operations is on his desk. This data is compared with the standards such as those on labor costs of each product or operation, material costs, sales quotas, and so on. Management concerns itself only with these instances in which the standards are not reached. This is called "management by exception." Thus automation takes over the huge burden of routine administration and leaves executives free to do the things they are supposed to do anyhow—the making of decisions involving judgment, something a mere machine can never do.

Enhances Supervisors' Responsibilities

A fourth effect of automation is on lower-level supervisors who will need to develop new skills in handling subordinates who are highly-trained technically and perhaps highly-strung emotionally. Supervisors also need a deeper knowledge and appreciation of technical, productive processes as more expensive equipment is entrusted to them, and hence their responsibility is augmented. They also need to pay more attention to nontechnical matters such as the worker's feelings and his group relationships. The supervisor must recognize that it is irrational to expect workers always to act rationally. Many "old-time" foremen still think of productivity as being the direct result of physical activity, as it was in the sweatshops that are now, for the most part, only bitter memories. These old-timers do not understand how men can be standing around talking, or listening to music, while automatic machines

roar out production. Yet this kind of situation is often essential to the highest productivity in automated factories. The pressure on the seemingly relaxed and idle machine-tenders may be more important than ever. Their responsibilities and accompanying anxieties have increased, although their physical activity has declined.

Furthermore, whereas the workers in many old-style factories were dirty while the supervisors were clean, automation frequently erases this distinction. The nonmonetary symbols of status and position, such as appearance, dress, kinds of working conditions and privileges, are frequently more important than money for job satisfaction and incentives. If physical appearance does not permit the casual visitor to distinguish labor from management, or different levels of personnel within labor and management, then new symbols of status will have to be devised to maintain organization, dignity, and adequate incentives.

Affects Philosophy of Business

Automation affects the philosophy of business systems. In the past, factories have often been little more than a haphazard accumulation of machines. Automation has the effect of making the entire factory into a single supermachine. Furthermore, the office operations (which are frequently the largest part) have to be integrated with the factory, much like the parts of a single machine are related to each other. The principles of machinery become applicable to the whole business enterprise. Everyone—the company's president, machine operators, and outside salesmen—becomes an integral part of the machine.

Thus the effects on management are profound and are much in need of further study. More important than fact-gathering, however, is the need for more careful, critical analysis of the functions of large business firms and their role in the total economy. There is great need for the development of more systematic theories of management based on integration of technological and economic principles.

EFFECTS ON LABOR

Improved Safety Conditions

In contrast to mechanization, automation seems to improve working conditions in several ways. First, in nearly every case there is greater safety. This is due to: (1) mechanized material-handling, (2) elimination of the most hazardous jobs, and (3) reduction of the number of people in direct production areas, due to remote controls. Hernia, eye troubles, and foot accidents have virtually disappeared in the Ford Motor Company's automated Cleveland engine plant. Unfortunately, the definite decline in physical hazards has in some cases been offset by an increase in emotional hazards. For example, stomach ulcers have been increasing among

machine-tenders. The net effect, however, is clearly a vast improvement in safety conditions.

Improved Working Environment

Automation permits cleaner and more pleasant surroundings. There are foundry workers who never touch the molding sand except from curiosity and refinery oil workers who could wear dinner jackets and white gloves on the job and never get them soiled. There are automated grain mills that have eliminated all dust. Housekeeping in the plant is certainly easier with automation.

Increased Job Security

The continuous nature of automatic processes permits greater regularity of employment, and hence more job security. This advantage could be partially offset if it also leads to regularity of nightwork, or to increased boredom, or to more rigorous industrial discipline from machines. A study of workers' attitudes toward automation by Professor W. A. Faunce of Michigan State University revealed that the main complaint of 125 workers was the loneliness from being isolated from other workers. At least one British union has already asked for "lonesome pay." Faunce also found nervous tension to be higher among workers but, significantly, 72 per cent preferred their new jobs in automated departments over their previous factory work. In general, automation appears to have brought greater job satisfaction and security so far.

Little Upgrading of Workers

But automation has not improved all forms of working conditions. First, it does not seem to have upgraded workers substantially. It might seem that since the machines are better adapted to the more routine jobs and since the more complex and flexible machines are the most expensive, automation would tend to eliminate the less skilled jobs first. On the other hand, management might logically be expected to try to replace the higher skilled workers first since they are the highest paid. In theory it can be reasoned that, depending on the circumstances, automation creates new, higher skills, upgrades some jobs, downgrades some, makes many skills obsolete, and dilutes others by a further division of labor. Thus, deduction provides only clues, no conclusions, and resort must be made to the facts.

A study of a large utility company in the United States has revealed some "job enlargement" from automation, and so have some other single plant studies. But it should be remembered that a mere requirement of familiarity with more different kinds of equipment is not the same as upgrading. It is the demand for a more *intensive* knowledge that counts. There is no convincing evidence that automation upgrades workers generally in this sense. The facts verify the theory that automation upgrades some

jobs and downgrades others. In the Ford plant, for example, some workers commanding automatic machines perform an incredible number of tasks at once. Other workers nearby do the most trivial, routine jobs. A U.S. Department of Labor study of an insurance company showed only five out of 20 workers transferred to computer operations were upgraded. None of the 56 who were retrained in other jobs were upgraded, although several new employees with higher skills were hired from outside. Other studies concur. The *direct* effect of automation in those plants that have been studied apparently is either neutral or tending slightly toward downgrading. A recent monumental study by Professor J. R. Bright (*Automation and Management*, Harvard, 1958) of thirteen newly-automated plants seems to confirm this contention. This investigation shows that there has been no significant direct change in occupational structure from automation.

Problems of Labor Turnover

There are *indirect* effects of automation, however, and one is to create new opportunities for workers in new, highly skilled occupations. The rate of automation thus emerges as the crucial factor. If normal turnover of workers can be supplemented with retraining programs and enlarged and liberalized employee benefit programs, such as severance pay, unemployment compensation, and moving expenses, then labor displacement from automation can be comfortably absorbed and need not lead to excessive downgrading or unemployment. Displacement of labor is inevitable from automation as, indeed, it is from all technological change. The tractor displaced millions of horses. But there is a difference. Workers can never again be treated like horses, and displacement cannot be allowed to accumulate into pools of unemployment. Leaders of management and labor jointly must assume responsibility for relieving the hardships caused by automation. Relieving, of course, does not mean holding back technological progress. It means shifting the inevitable personal damages to industry or society. If you break your leg the *cost* can be spread by insurance, but you still have to bear the *pain* yourself. Workers will still have to move from place to place, change occupations, and adopt new attitudes, but business firms and governments should pay more of the cost. Furthermore, governments have an obligation and a proven ability to maintain conditions of full employment through proper fiscal policies.

Full stable employment is not only politically expedient and socially desirable. Automation makes it economically necessary. First, the increased capital investment makes nearly continuous use of plant and equipment imperative. Idle capacity is too expensive to have for long. Second, the labor force, in general, is becoming more highly skilled. This means longer and more expensive training programs are

needed, and therefore labor turnover becomes less tolerable.

SOCIAL IMPLICATIONS

Many far-reaching social effects of automation can be postulated, some of which are discussed below:

Increased Leisure Time

One of the social effects of automation is the promise (or threat) of leisure. Leisure time is just like other consumers goods and services. It has to be paid for by giving up something else. But it is not purchased out of money earned from wages; it is bought by not earning in the first place. How much leisure will be demanded by workers (or made a free and compulsory public service through unemployment!), no one can say. But, undoubtedly, leisure time will continue to grow. The increased leisure from automation may differ from that of mechanization, though. At first glance the new leisure class would seem to be not the most successful people in management, the professions, and public life, but workers who are low on the economic and educational scale. The result of leisure for the masses and work for the classes could be a nightmare of dangerously shallow distractions unless conscious social action is taken to broaden minds and cultivate tastes.

Conformity and Limitation of Variety

A second social consequence is the possibility that we will be submerged in the mediocrity of conformity brought about by the standardization of products that automation requires. There is a supply and demand side to this problem also. Bright's study indicates considerably reduced flexibility in automated plants. If maximum efficiency is to be obtained, only a narrow range of goods can be produced. This, in turn, requires standardized demand, so advertising is mobilized to motivate all people to want the same things. Recent sociological studies confirm that the growing size of organizations is causing a decline of individuality, irrespective of automation. The interaction of automation's limitations of genuine variety with consumers' desires for the security of conformity thus has a multiplied effect. We are changing from a society based on individual property ownership to a society based on membership in organizations. Group action is replacing individualism. Automation may encourage this, although it is not the primary cause.

World-Wide Consequences

Automation leads to a more gigantic scale of economic organization. Like its predecessors, mechanization and mass production, it feeds on widening supply sources and must dispense its benefits on expanding markets. Technology has exceeded its geographic and political boundaries. Most of the world's

93 nations are too small to enjoy automation's full potentialities. In recognition of this hard economic fact, as well as for equally compelling political reasons, international economic agreements and organizations are being formed. But they must overcome an inertia from centuries of tradition, and this accounts for what may seem to be a glacial rate of social progress compared with lightning advances in technology.

The relentless march of technology has likewise broken through the barriers of both space and time which, in the past, always protected civilization from the most destructive consequences of its accelerating progress. There have been great upheavals in the past, but there was always time for psychological and cultural adjustment to the requirements of the changing world. Now the physical frontiers of the world have been pushed to the inevitable limits of this tiny globe, and major changes of any kind have world-wide consequences. The interdependence of

all nations and economic groups has finally been forced into the open by the development of nuclear weapons which make a strong international organization imperative if eventual annihilation is to be forestalled.

Likewise, the therapy of time, which formerly healed all things, has lost much of its effectiveness. Major innovations and political and social crises now occur in such rapid sequence that the time for human adjustment has been telescoped. Instability and uncertainty have been so intensified that now even trivial disturbances can upset the delicate international balance and trigger a world upheaval on a moment's notice. Nations, like individuals, all tend to become more dependent on each other as automation proceeds. If we can learn to live in peace with each other, we may then look forward with confidence to the time foreseen by Aristotle who said, "When looms weave by themselves, man's slavery will end."

The Sales Contest:

An Incentive for Salesmen

To secure statistical data providing a current cross section of business practices and attitudes concerning sales contests for salesmen in the South, 92 sales managers were interviewed between September and December, 1957. These sales executives are employed by 92 companies, representing 41 industries, with southern headquarters or district offices located in Atlanta, Georgia, and they employ outside salesmen who operate in one or more or all of the southeastern states. The information so obtained¹ has been compared with that found in a national study of sales executives, made in 1953. The later executives were employed by 542 companies, representing approximately 40 industries, with headquarters located in all parts of the country. These companies also employed outside salesmen.

The subject of this paper is confined to the administration and features of sales contests and plans for future sales contests by both southern and national sales executives.

The sales contest, by adding an incentive over and above that provided in the basic compensation plan, furnishes a convenient mechanism for stimulating salesmen. Because most people normally work far below capacity, special incentives, by causing individuals to utilize their potentials more fully, stimulate the average salesmen to above-average performance.

ADMINISTRATION

Contests may be well-planned and perfectly timed but still fail because the administrative details have not been properly conceived or administered. Perhaps the greatest essential is careful preparation before the contest is announced. This involves a decision regarding the objective or the objectives of the contest, the length of time it is to run, who is to participate, what prizes shall be given, promotional details before and during the contest, and other basic preparatory steps. Illustrative is the need for mak-

¹ In order that findings in the southern study of special incentives could be compared with those found in the national survey, the questions posed to southern sales executives were the same as those used in the national questionnaire.

ing plans so that every salesman is given an equal chance to win some sort of prize or reward.

Equalizing opportunity in sales contests is a widespread practice. One common method is to give new salesmen and/or low-producing territories extra points. However, it was found from the survey that about three-fifths of the 306 national and 52 of the southern executives who used other methods indicated they used "quotas" to equalize opportunity; another one-fifth of the southern and national firms used the "past records" of each territory as a base for the contests; about one-fifth of the southern and national companies divided salesmen (or teams of salesmen) into approximately "equal units" (upon basis of quotas or past sales record), and such units competed in sales contests. The comments under "other methods" emphasized repeatedly that the goal was to keep all salesmen working with a real chance for a prize through the last day of the contest. Twenty-five other national and nine other southern managers indicated they used no handicapping methods, several stating that their sales territories had equal potential and a few others suggesting that certain types of contests require no handicapping.

Sales contests at the southern and national levels are usually approved by the sales managers, the vice-presidents in charge of sales or the president.

Most southern and national companies take two weeks to a month to plan sales contests, although two or three months is not uncommon, particularly when little experience with contests is held. The company usually plans its own contests through the sales or sales promotion departments.

In case decisions about contest rules or administration must be made, the sales manager or an executive group is usually the arbiter.

FEATURES OF SALES CONTESTS

Southern and national executives were asked to specify the types of company personnel which usually participate in their sales contests. All of the re-

porting southern and national firms which use contests indicated that all salesmen participate in the sales contest program. The wives of salesmen take part in contests conducted by over one-fourth of the national and over one-third of the southern companies. Comments indicated clearly that many additional sales executives included in both surveys were considering the inclusion of salesmen's wives in the future.

Sales contests at both the southern and national levels are geared primarily to a competition based upon quotas, the comparative records of participating salesmen, and past record of the salesman versus his contest record. Group competition of salesmen is also common, frequently occurring simultaneously with other type of competition.

Usual Objectives

The objectives of sales contests are the usual objectives of special incentive plans in general (except for "do self training"). However, the relative importance of the objectives in sales contests differs somewhat from those of general incentive plans. Over 60 per cent of the sample members of both the southern and national studies reported the objective of their sales contests was to find new customers. Other major purposes were: to obtain greater volume per call, to get better territory coverage, to overcome a seasonal sales slump, to promote special items, to introduce a new product or line, to stop or slow sales decline, and to renew business with former customers.

Comments from executives, both on the questionnaire and in personal interviews, suggested that the pinpointing of a contest upon a specific and limited objective makes satisfactory administration easier and minimizes the problems often associated with sales contests.

Timing

Typical sales contests at the southern and national levels were reported as usually running from one to three months. Cross-analysis of the returns indicates that objectives and company organization appear to be the determining factors. Each company has certain peculiarities which tend to determine the length of the contest. For example, if the objective of the contest is to find new customers, a salesman would have to be given adequate time to cover his whole territory at least once; depending upon the product, size of territory, and company policy, the contest would then have to run from a week to a year. The comments indicate that the contest should be long enough to accomplish its purpose and then ended rather than be permitted to drag on.

Over three-fourths of the southern and national companies reporting ran only one contest at one time. In the case of multiple contests, special situations appeared to be present and, in general, the contests did not compete for the salesman's attention.

The four months, March through June, and the months of October and November were the most popular for national sales contests; December, January, and February were the least frequently used for national contests. The South does not follow the national pattern closely. The southern study revealed that January, March, and June were the most popular for sales contests; whereas April, May, and December were the least used months for sales contests. However, in both studies each of the two categories "all year" and "no set time" led over any one month. The obvious conclusion, therefore, is that a sales contest should be run when logical and can be run successfully, regardless of the time of year.

The sales executives in the southern and national surveys were asked to indicate the number of business days during which contests were operative. A broad interpretation of the results of the two studies would be: one-third of respondents had contests at least four months of the year; over one-half of the firms had contests for two or more months; five-sixths of the companies had contests for at least one month. Over 20 per cent of both southern and national concerns had a contest of some type operating every business day.

Promotion of Interest

To promote and to maintain interest in sales contests, weekly contact with the participating salesmen is regular practice. Bulletins and letters are used regularly, and a vital factor in maintaining interest is to emphasize the contest standings. Sales meetings are equally important for highlighting the contest and its standings. The material from comments and letters indicates clearly that current standings in the contest are well worth the trouble necessary to keep them up-to-date and promptly publicized.

Among the important devices used by southern and national sales executives to stimulate and maintain interest in their sales contests are: bulletins, sales meetings, scoreboards, letters, "helpful hints," and prize catalogues. The majority of the sales executives stated that themes are used in their sales contests. The personalities of both sales executives and salesmen, the type of product, and the method of distribution would appear to be significant in determining the devices to be used. Possibly the personality factor might be the most important.

To follow up on contests, prizes are awarded at sales meetings, and congratulatory letters from company officials are sent to winners. Although over one-half of the respondents used these two techniques, comments showed that many other executives were convinced that their companies could have secured more benefit from recent contests if they had dramatically presented awards at sales meetings and had arranged for appropriate con-

gratulatory letters to winners (and their wives).

To improve their own sales contests, over one-half of the executives reported that creating active interest in the salesman's family is needed, as the interest of wife and family is very important in motivating a salesman. Better promotion and publicity of sales contests will also improve results.

"Making it possible for more salesmen to win something" was mentioned by over one-third of the southern and national respondents, even though the tabulation of a later question indicated that over two-thirds of the companies had at least one contestant in four win an award.

Contest Prizes and Awards

Various types of awards are usually used in sales contests. Cash and stocks, bonds, etc., are used by nearly 72 per cent of the southern and 56 per cent of the national companies. Merchandise awards are used by 54 per cent of the southern and over 56 per cent of the national firms. Travel awards were reported by 28 per cent of the southern and 27 per cent of the national respondents, and honor awards were also listed in 23 per cent of the southern and nearly 27 per cent of the national cases.

Over one-fourth of both southern and national firms use "combinations" awards. Since "combinations" include cash, merchandise, honor awards, trips, and other prizes, the total number of companies using cash awards is not directly available. Assuming cash awards to be included in every combination award, then 83 southern and 347 national companies would have used cash awards. Also, later questions showed that merchandise awards were used in 67 southern and 348 national contest programs, and travel awards were used in 44 southern and 164 national sales contests.

The sales executives were asked their opinion as to the type awards best suited for stimulating the *average* salesman to better production. Cash, merchandise, and honor awards were most frequently mentioned. Available literature indicates that cash or similar prizes were historically almost the only type of non-honor awards twenty or more years ago. Merchandise and travel awards have become more widely used during recent years.

Over 72 per cent of the southern and approximately 69 per cent of the national sales executives believed that their present types of awards were providing the greatest possible incentive for their salesmen to increase their efforts.

One-half or more contestants won prizes in over 40 per cent of the southern and national firms, and at least one out of four contestants won awards in over 75 per cent of the southern and national concerns. In contrast, only twelve per cent of the southern and eight per cent of the national respondents

indicated that less than one of ten participants won a prize.

Although over 70 per cent of the southern and national sales executives indicated that their percentage of winners was desirable, a substantial number of comments scattered through the questionnaires in both studies emphasize three points: (1) interesting the wife (and family) in the contest, (2) keeping every participant in the running throughout the contest, and (3) stimulating the *average* salesman. Merchandise prizes can contribute significantly to the solution of such problems, and a specific indication is the high popularity of prizes for the home. Also, the procurement of merchandise through outside sales-contests-prize firms with diversified merchandise prizes listed in attractive catalogues is important.

"Booby prizes" are used by less than nine per cent of the southern and fourteen per cent of the national respondents. This type of prize is a controversial subject. Companies which use booby prizes successfully are enthusiastic; other sales forces appear to have had the men go "sour" on this negative approach. The data reported suggests that a booby award program should be approached cautiously and then handled with great care.

a. Merchandise Awards. Merchandise awards open the possibility of having every participant a winner. Certainly, merchandise awards permit a large proportion of contestants to win something. With over three-quarters of the companies reporting some use of merchandise awards, the "jackpot" prize gives every indication of being on the decline; and with approximately one-quarter of the respondents in both surveys stating that at least 75 per cent of the participants win some award, this situation is highlighted.

b. Travel Awards. Travel awards tend to be rather expensive. In many contests, travel would have to be the big or jackpot prize; therefore the use of travel awards by over one-half of the southern and by two-fifths of the national companies, and one-half as many times as cash awards is significant. Travel awards offer several advantages: (1) combination of honor award and material award; (2) romance, change, and inspiration, particularly if the wife and/or family accompany the winner; (3) exemption from Federal income tax if one or more sales conferences are attended on the trip. The comments suggest a distinct and rising trend towards the continued use of travel awards. Resort cities and home office cities are the most common destinations for contest winners of travel awards, though foreign countries are important in the case of southern firms.

The jackpot sales contest has been abandoned by many firms in favor of merchandise awards won by a large proportion of salesmen contestants and

a semi-jackpot prize for the top man. Travel is reported as being used with rising frequency for the semi-jackpot award. These techniques permit the money available for prizes to be stretched to maximum use. Although, from the data available, the cash award appears to have declined in usage, monetary prizes remain major and have strong advantages.

c. Honor Awards. Honor awards are given not only in connection with special sales contests but with other sales programs. Over 95 per cent of the southern and nearly 89 per cent of the national executives who submitted detailed information about sales contests reported that honor awards and recognition programs had been used by their companies. As a method of stimulating salesmen, 14 southern and 81 national managers stated that results were excellent, and 33 southern and 141 national executives indicated that results were good. Thus, 58 per cent of the southern and 56 per cent of the national firms secured either excellent or good results from honor award programs. Only a few firms had poor or harmful effects. This record is very strong, although not quite as decisively so as are the reports on successful use of sales contests in general.

Approximately two-thirds of the southern and national executives indicated that congratulations from company officials were used, and almost the same number in both studies emphasized publicity in house organs. Nearly one-half of the southern and national firms had titles such as "salesman of the month." Trophies, certificates, and pins were also popular, and around one-quarter of the firms managed to give some recognition to the honored salesmen's wives.

Honor awards are usually given, in addition to take-home prizes, to all salesmen who attain the objective of the contest or sales program, such as reaching a certain quota, or to the top men in a contest.

Approximately sixteen per cent of the southern and eleven per cent of the national respondents stated that honor awards for accomplishment were the best stimulant for their average salesmen. Honor awards were mentioned one-fifth as frequently as cash (including combination awards involving cash) and nearly as often as merchandise awards by southern firms and about one-half as frequently as merchandise prizes by national respondents. As a stimulant for average salesmen, this showing is good.

Within the group of honor awards, the most effective types were reported as titles, congratulations from high-ranking officials, and recognition in house publications. The inclusion of salesmen's wives in the recognition is also important. Membership in honorary clubs, trophies and jewelry, and certificates have their places. At least one-third of

honor award users employed each basic type of honor award.

The comments made by sales executives about honor awards were interesting. Many of the sales executives expressed the conviction that "an honor award will not buy groceries or pay the rent," that "you can't eat or wear honor awards," or that "our men prefer cash to honor awards." This belief was so widely held that the conclusion is unavoidable that honor awards, no matter how effective when coupled with material prizes or rewards, are no substitute for adequate compensation and liberal material prizes in a sales contest or similar competition.

Properly oriented in a situation in which the salesman secures adequate pay and special compensation for extra effort, executives are enthusiastic about honor awards. Typical comments are:

Recognition is important to a salesman; it makes his family proud of him and bolsters his ego. Recognition is something which one cannot buy because it is not for sale; therefore it becomes the most prized possession a human has.

We see a change in the salesmen who receive the honor awards, since they attempt to "live up" to their new reputation. Salesmen need recognition to advance.

My past experience with over 300 salesmen has proven that honor awards when properly administered will motivate salesmen. Honor awards should not be overdone since it will tend to cheapen them.

Congratulations from our top officials create a closer understanding between officials and salesmen. Any person likes to be recognized, thus a nice letter goes a long way.

The various honor awards programs, in general, appear to have been quite successful. The techniques employed involve superior planning, prompt execution, and careful follow-through; yet the recommended methods are relatively inexpensive. For its cost, an honor award and recognition program may offer excellent returns per dollar of investment.

PLANS FOR FUTURE SALES CONTESTS

With respect to the importance of sales contests in motivating salesmen, and as regards a comparison of past and expected future expenditures for contests, about one-half of the southern and national sales executives using contests reported no change between the immediate past, the present, and the close future. Over one-half of the executives in both studies, however, reported that sales contests were expected to play a greater part in motivating salesmen in the future than in the past. Only a few of the respondents expected future contests to be less helpful in motivating salesmen than during the recent past. Over 45 per cent of the southern and national executives were expecting to increase their expenditures for sales contests, as contrasted to less than 4 per cent who were planning to curtail the amount of money for contests. Thus the trend towards greater use and importance of sales contests appears clear and decisive.

Moorhead Wright

Growth and Development of People in Business

Through brotherly love

MUTUAL RESPECT, CONFIDENCE, AND RESPONSIBILITY

A practicing businessman writes on a most
powerful force in business relationships

Although it cannot be said that the idea of love in business emerged from the original research on the development of people, years of practice and observation—together with research seminars on the subject at Wainwright House—indicate with greater and greater certainty that love is the foundation not only for growth and development, but indeed for business as a whole. Both the Old and New Testaments, and especially the New, state repeatedly and unequivocally that men must love each other. Can businessmen be exempted from this universal and inflexible rule? I think not. But the realists say, "Can businessmen love each other?" I think they can.

What we are suffering from here is the paucity of the English language. I believe that we suffer greatly and that progress in fundamental human relationships is dangerously impeded by the fact that the English language contains only one word for love, and that this is interpreted as erotic love in all common usage. On the other hand, the Greeks had five words for love, each applying to a different kind of relationship, and the Sanskrit had forty.

Looking at the four Greek words most familiar to us they are, roughly translated, *Phileo* (love for things); *Caritas* (from which we derive charity); *Eros* (possessive love); and finally *Agape*, which scholars hold is the basic love on which Christianity is founded and is the "love" of the New Testament. It is love of this last type of which we speak here.

Obviously, it is impossible for us to go deeply into the definition of this very historic and complex word. Those interested in further study will find an exhaustive 750 page treatise on the subject in "Agape and Eros," by Anders Nygren, published by the Westminster Press. Generally, *Agape* can be defined as unselfish, non-possessive love which is given without regard to the worthiness of the object. It is, in other words, the kind of love we can and must give to those we don't like. It is probably the least known, least practiced, but most powerful interpersonal force available to us today. It is the only force which will overcome hostility and hate. It is, therefore, I believe, the only force which will encourage growth and development in people and,

indeed, will prevent man's destruction by man.

We have been seeking a new workable, usable definition for this kind of love. The definition worked out ten years ago in the Laymen's Movement and tested many times since is this:

Mutual respect

Mutual confidence

Mutual responsibility

These are elements which can exist or be practiced between man and man in any situation. If all our dealings are conducted on the basis of these three principles of conduct, our chances of living successfully will be greatly enhanced.

Harry Fromm, in his significant volume "The Art of Loving," lists the elements of this kind of love as follows:

Concern

Responsibility

Respect

Knowledge

At first glance this is a strange definition of love, but a careful reading of Dr. Fromm's book (which is written from the viewpoint of the practicing psychologist) will bring a greater understanding to the meaning he gives to the four words. These four elements can exist, or be practiced, between man and man. They are eminently "practical" and applicable even though, because of our immaturity and egocentricity, they are often ignored in our relationships with others.

Specifically to the subject of the development of people in a business enterprise, we have said that a man's growth is primarily a matter of *individual self-development*. We have, however, pointed out that the man's immediate manager has a high impact on the man's growth — that he can either accelerate or stultify this growth by his actions, attitudes, and relationships with the man with whose development we are concerned.

The suggestion in this brief supplementary discourse is that the development process is not a matter of procedures and forms. Neither is it a matter of special activity. Instead, it is a matter of deep basic underlying relationship. And if this relation-

(Continued on page 24)

The Southeastern Corner

by
Warren A. Walker



AREA RESOURCE DEVELOPMENT

Part I. The Challenge of Population Out-Migration

The Southeastern United States in general, and Georgia in particular, really have a double problem in connection with resource development. These regions must not only devise means for improved and accelerated development, but also to *retain* one resource, namely people. It should not be implied that every individual unit of a population is an economic asset; however, a population properly utilized is very definitely a favorable factor. Someone may ask, "Why should this question be raised? The population of the state is increasing!" It is true that the number of people in Georgia, for example, is expanding, but the rate of growth is substantially less than the "natural increase." An additional problem lies in the fact that the expansion is not on a uniform basis. A few areas of the state have had very large increases, while the vast majority of the counties have had an actual decrease.¹

It is probably a mistake to say that these trends are good or bad. The important thing is to be aware of what the trends are, and to maximize the advantages and minimize the disadvantages from them. This can only be done when population trends are studied in connection with other economic developments in the state. Viewed in this way, it soon becomes apparent that the origins of many of the current economic trends in Georgia are technological in nature and for this reason are practically non-reversible.

¹ The only bright part of the picture is that for the state as a whole the loss of population through migration apparently shows a declining trend. According to studies conducted by Dr. John Fulmer, 48 per cent of the natural increase for Georgia was lost through migration in the period 1940 to 1950, whereas this ratio had declined to 41 per cent during the 1950 to 1956 period. John L. Fulmer, *Population Estimates of Georgia Counties for 1956-1957* (Analysis of Reasons for Changes from 1950), Special Report 33, p. 1. Published by The Georgia Institute of Technology.

The Agricultural Aspects of the Problem

There has been a feeling among certain groups in the state that the marked expansion of forest acreage has brought about a declining population in a majority of Georgia counties. In truth, a correlation exists, but the relationship between expanded forests and declining population has not been an important causal one. In general, the expansion in timber acreage and the decline in population arise from a common cause—namely from new conditions affecting the supply and demand of agricultural commodities.

The trend towards increased efficiency in agricultural production has had, and will continue to have, far-reaching ramifications.² This is especially true when considering problems involving population migrations. Every year fewer people are required to maintain the level of agricultural production, which means a continuing and substantial migration of people from farms and into the cities in search of other types of employment. No halt in this trend is in sight.

Small Communities Severely Hurt

For the most part the economic impact of these trends has been felt most unfavorably by the small community. The counties receive the bulk of their revenues from land taxes. With few exceptions they receive the same taxes for rural land regardless of the use to which it is put. It makes no difference to the county whether there are many owners of the land or a few. In fact, the net revenues tend to increase if there are only a few land owners because the costs of record keeping and providing services

² See previous articles which have appeared in "The Southeastern Corner" pertaining to this subject. Particularly, attention is directed to "Atomic Energy in the Southeast: Atoms and Agriculture" (April 1958) and "The Soil Bank in the Southeast" (November 1958).

tend to decline. On the other hand, the small village is markedly affected. The economic backbone of small communities is found in the local merchants. Their sales to strictly residents of their communities provide only a marginal level of business existence. The extra sales volume required to make their enterprises profitable must be drawn from the countryside. It follows, therefore, that when the small farmer seeks other employment in a distant metropolitan area the small merchant gets hurt. Except for a few businessmen in specialized types of services, the large farm with its handful of people and large array of equipment does not provide much revenue for local merchants. This then, in very brief outline, is what has been happening in many Georgia communities. If the land happens to be in timber, the results of this over-all pattern of trends tend to become intensified. This is true because under certain conditions even less people are required for timber operations than for row crops. Much the same thing can be said as to the demands for farm machinery.

Employment Handicaps of Small Communities

It would seem that displaced farm workers would readily find other employment in Georgia. Indeed, an examination of the indices of economic growth reveals that typically the Southeast is ahead of the country as a whole, and Georgia is ahead of the Southeast. However, these indicators of growth really apply to only a few metropolitan areas. Naturally, people have migrated to those particular cities where economic opportunities have been found to exist.

The small community rarely can provide job opportunities for displaced farm workers. Local merchants, already in a condition of marginal profits, are not looking for additional employees. Moreover, many small communities have little or no manufacturing activities within their limits; and too, where industries are found in small communities, the demand is for female employees primarily because the firms are usually of the needlework variety. In some places this has produced a severe disequilibri-

um between employment opportunities for men and women.

In summary, most of the employment gains have taken place in a relatively few metropolitan areas, and this is a development which has been repeated in all sections of the United States. There is a self-perpetuating or "snow-ball" effect associated with the trend. More specifically, population migrates to areas where there are economic opportunities, and new economic opportunities develop where there is a growing population. The unfortunate part is that under present conditions this spiral works just as well in reverse. Many communities are losing population because there are no opportunities, and no opportunities are developing because the population is declining.

Area Planning Needed

The solution, to the extent that there is one, to the dilemma facing small communities lies in area planning.³ It must be recognized that any approach to area development must necessarily be somewhat arbitrary because economic activities do not conform to political boundaries. Indeed, it is not possible to describe the problems and potentials of an area and say that this analysis applies *only* to the area or that it applies in all respects. Despite its limitation, however, the area approach definitely offers promise.

This concept of an improved method to develop the economic potentials of particular areas in the state is of recent origin, but not entirely new. The Georgia Power Company, for example, has advocated and actively supported regional meetings for this purpose over the past several years.

In next month's article we shall examine some of the techniques that have been used in the furtherance of area planning programs, and attention will be directed to some areas that already have active programs under way.

3 By an "area" the writer has reference to a group of counties which have similar problems and potentialities. Concerted efforts on their part will make possible solutions that cannot be achieved by individual communities or by an individual county. The advantages to be realized through a group effort have been stressed earlier in "The Southeastern Corner." (See *The Atlanta Economic Review*, August 1958, p. 14.)

The map on page 8 shows the population change in Georgia counties from 1950 to 1956. It is evident that many Georgia counties are experiencing annual losses of population, intensifying the economic problems of these areas.

December 1958

ATLANTA AREA ECONOMIC INDICATORS

Item	December 1958	November 1958	% Change	December 1957	% Change	% Change Twelve Months '58 over Twelve Months '57
EMPLOYMENT						
Job Insurance (Unemployment)						
Payments -----	\$502,519	\$398,015	+26.3	\$485,331	+ 3.5	+74.0
Job Insurance Claimants† -----	7,979	6,896	+15.7	7,637	+ 4.5	+69.7*
Total Non-Ag. Employment -----	347,500	345,900r	+ 0.5	351,700r	- 1.2	- 2.0*
Manufacturing Employment -----	78,350	78,950	- 0.8	83,950r	- 6.7	-10.4*
Average Weekly Earnings,						
Factory Workers -----	\$84.84	\$82.40	+ 3.0	\$78.38r	+ 8.2	+ 3.6*
Average Weekly Hours,						
Factory Workers -----	42.0	41.2	+ 1.9	40.3	+ 4.2	+ 0.6
Index of Help Wanted Ads (Seasonally Adjusted, 1947-49 Avg.=100) -----	133.9	133.9	0.0	131.9	+ 1.5	-20.7
CONSTRUCTION						
Number of Building Permits§ -----	389	664	-41.4	393	- 1.0	+ 6.9
Value of Building Permits§ -----	\$15,617,850	\$11,519,684	+35.6	\$6,894,891	+126.5	+82.7
Employees -----	21,550	22,550	- 4.4	18,900r	+ 14.0	+10.1*
FINANCIAL▲						
Bank Debits (Millions) -----	\$1,985.8	\$1,663.3	+19.4	\$1,769.1	+ 12.2	+ 3.7
Bank Deposits (Millions) (Last Wednesday) -----	\$1,289.3	\$1,229.3	+ 4.9	\$1,147.0	+ 12.4	+12.4**
OTHER						
Postal Receipts§ -----	\$2,077,855	\$1,745,061	+19.1	\$1,500,979	+ 38.4	+14.6
Department Store Sales Index (Adjusted 1947-49=100) -----	162	161	+ 0.6	156	+ 3.8	+ 3.0†
Retail Food Price Index (1947-49=100) -----	115.7	116.5	-0.7	113.6	+1.8	+1.8**
Number Telephones in Service ---	322,948	321,033	+ 0.6	301,080	+ 7.3	+ 7.3**
Consumer Price Index -----	124.4	124.6 (Sept.)	-0.2	122.4	+1.6	+1.6**

r—Revised

*Average month

**End of period

†—Based on retail dollar amounts

§City of Atlanta only.

N. A.—Not Available

▲Data from members of the Federal Reserve System only.

†New series. Covers unemployed Federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

ATLANTA BUSINESS ACTIVITY

The construction industry, which deserves much credit for easing the effects of the late recession on the Atlanta economy, ended the year 1958 with the announcement from the office of W. R. Wofford, Atlanta Inspector of Buildings, that permits valued at \$15,617,850 had been issued during December, bringing the total for the year to \$108,157,444. This very large value of permits for buildings led to the employment in December of 21,550 people in construction industries, 14 per cent more than were employed in December 1957. During the whole year 1958, construction employment averaged 10.1 per cent more than in the preceding year, and was the only major industry except government which could boast of any substantial gain in employment.

While average monthly total nonagricultural employment fell only 2 per cent during the past year, average employment in manufacturing dropped 10.4 per cent, primarily in durable goods industries. The recovery in manufacturing employment continues to be slow and erratic. Durables employment began to falter early in 1956, rallying briefly during the last half of that year, only to begin falling again in 1957. By December of 1958, durables employment was 15 per cent below the average for 1955, while nondurables had slipped less than 4 per cent in the three year period. By way of contrast, total non-agricultural employment rose 9 per cent during the three years, and has moved upward rapidly from the 1958 low in May. The December 1958 total non-agricultural figure was only 1.2 per cent below the all-time high of the series, reached in December 1958.

Production workers averaged \$84.84 for a 42 hour week during December, as wages reached a new record high and hours increased for the third consecutive month. Production workers in durable goods industries averaged \$96.08 for a 42.7 hour week, \$7.91 more in money and an hour and a half more working time than in December of 1957.

Bank debits rose somewhat more than seasonally expected in December, and bank deposits reached a new peak at \$1,289 million. Department store sales during the Christmas season pushed the Department Store Sales Index to 162 as compared with 156 in December of 1957. Sales at household appliance stores in Atlanta also showed improvement in December as total sales rose three per cent above December 1957.

Illustrative of the dynamic nature of the Atlanta economy is a report recently released by the Atlanta Field Office of the U. S. Department of Commerce. The report covers the progress of 33 large cities

and metropolitan areas, including Atlanta, as measured by changes in 18 series (bank deposits, value added by manufacture, etc.) over the post-World War II period. The Atlanta Metropolitan Area, which for the period of the report comprises Fulton, DeKalb, Cobb, and Clayton counties, outpaced the nation in all but three of the 18 fields; and in all fields, even these three, the relative position of the city moved closer to the top. Among the more important series were manufacturing employment, in which Atlanta moved from 24th place to 16th place, and manufacturing payrolls, in which Atlanta moved from 31st place to 20th place. In rate of increase, Atlanta ranked among the better performers (second, third, or fourth) among the 33 cities in nine of the series. The complete list, with Atlanta's rank among the cities and rates of increase, is shown in the table below.

RANK OF ATLANTA'S INDUSTRIAL ACTIVITY
AMONG 33 U. S. CITIES
AND METROPOLITAN AREAS

Series	Period	RANK		
		Begin- ning of	End of period	In rate of in- crease
Bank Deposits	1949-1956	21	18	7
Value Added by Manufacture	1947-1956	25	18	3
Number of Manufacturing Establishments	1946-1956	20	17	2
Number of Large Manufac- turing Establishments* ..	1946-1956	21	17	10
Manufacturing Employment	1947-1956	24	16	4
Manufacturing Payrolls ..	1947-1956	31	20	3
Expenditures for new Plant & Equipment	1947-1956	24	21	15
Number of Commercial & Industrial Firms	1946-1956	19	17	2
Large Industrial & Com- mercial Firms*	1946-1956	23	16	2
Commercial & Industrial Employment	1946-1956	21	14	3
Commercial & Industrial Payrolls	1946-1956	21	17	3
Retail Sales	1948-1954	18	17	7
Merchant Wholesale Sales ..	1948-1954	20	17	7
Selected Service Trade Receipts	1948-1954	18	16	14
Number of Passengers Car- ried by Airlines**	1948-1958	6	5	8
Freight & Express Carried by Airlines**	1948-1958	11	7	2
Number of New Dwelling Units Authorized**	1946-1957	21	10	6
Value of All Building Permits Issued**	1946-1957	17	12	11

*500 or more employees

**Cities only

Source: Atlanta Field Office, U. S. Department of Commerce, CD 59-24.

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Growth and Development Of People in Business

(Continued from page 19)

ship is one of concern and mutual confidence and respect, the growth of both individuals will be sound and strong. If such a relationship does not exist, the development is possible but is not apt to be as positive and as sound as in the first case.

All this does not imply the necessity for a "wishy-washy" protective "cotton padding" approach to the task. On the contrary, growth is apt to result from hard work, trials, tribulations, frustrations, and, above all, from the maintenance of high performance standards. If however, all of these problems are met from a foundation of love, there are strong indications that the individual will develop soundly to a level near his potential.